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Australia

Sugar Semi-annual

2010

Approved By:
Grant Pettrie, Agricultural Counselor

Prepared By:
Mike Darby, Agricultural Specialist

Report Highlights:
The 2010/11 sugar cane harvest is around fifty percent completed. Extremely wet weather has slowed the harvest, boosted cane production and lowered sugar content. Continued historically high prices have increased the forecast area and increased forecast sugar production.

Summary:

At the time of writing this report, the 2010/11 sugar cane harvest has past the half way mark. Extremely wet weather throughout the first half of the harvest has made harvesting considerably slow and extended the date of completion. Industry sources fear that continued heavy rainfall may be detrimental to sugar production and, in the worst case scenario, see some cane not harvested.

In contrast, the 2009/10 harvest will be remembered as the driest in living memory with some areas not recording any wet weather stoppages for the entire harvest. Dry weather caused lower cane yield, however according to industry sources, the dry weather resulted in a record commercial cane sugar (CCS) level.

Above-average prices for cane sugar are forecast to continue for the remainder of 2010/11, albeit at slightly lower levels than the near record high achieved in 2009/10. High prices have seen a steady turnaround in the area of cane harvested following a long period of decline where cane area fell to 365,000 hectares in 2008/09. The record for area harvested stands at the 448,000 hectares in 2003/04.

Commodities:

Sugar Cane for Centrifugal

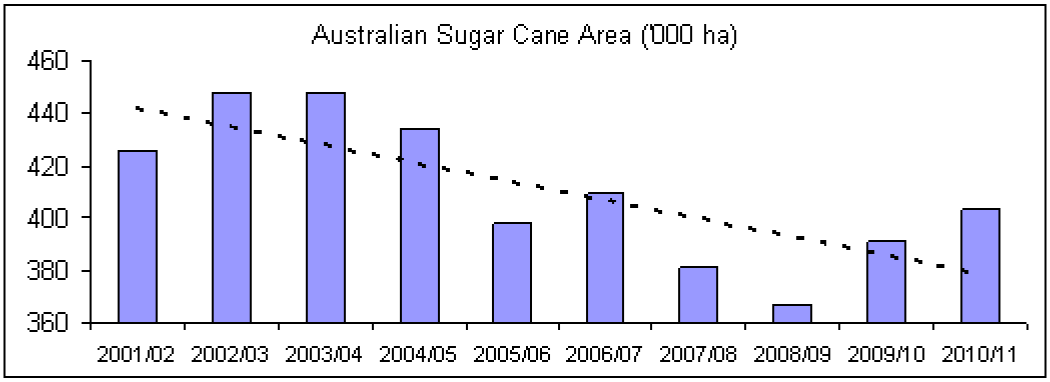
Sugar, Centrifugal

Sugar Cane Area (cut for crushing)

Total sugar cane area cut for crushing is forecast at 390,000 hectares for 2010/11, up sharply on the revised estimate for 2009/10. However, despite the increase this figure for area would still be considered below average.

The total sugar cane area cut for crushing for 2009/10 remains unchanged at 365,000 hectares, the lowest area harvested since 1994/95. Despite the downward revision, this figure remains slightly higher than industry estimates.

Area planted to sugar cane has suffered from a wide range of competition from other land uses such as timber production and urban development. Yield and productivity, while generally increasing, have not been able to keep pace with loss of planted area over the past decade.

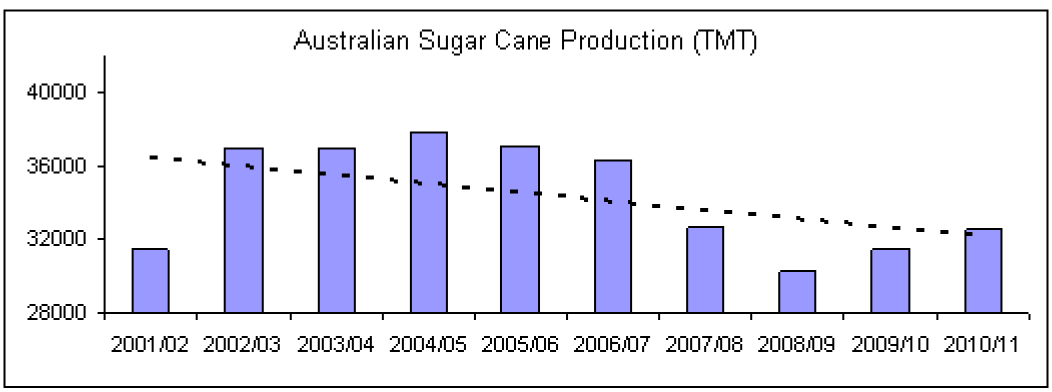


Source: ABARE Data September 2010

Sugar Cane Production

Production of sugar cane is forecast to increase to 32,000 TMT, slightly lower than the level forecast in Post's previous report. Extremely wet weather, combined with some industrial stoppages, have slowed harvest and reduced CCS. Industry sources suggest that, in the worst affected areas, some cane will probably not be harvested due to extremely wet conditions.

The 2009/10 estimate has been maintained at 30,000 TMT, down on the 31,500 TMT harvested in 2008/2009. This estimate remains slightly higher than industry sources and in line with official Australia Bureau of Statistics (ABS) figures.

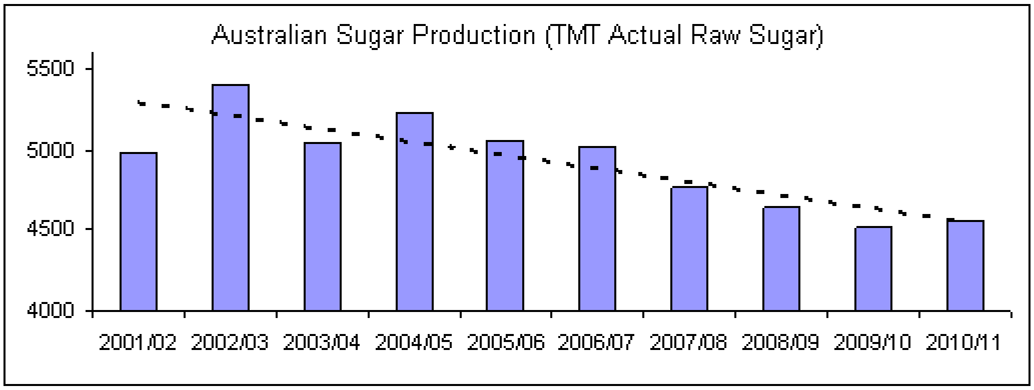


Source: ABARE Data September 2010

Sugar Production

Sugar production for 2010/11 is forecast at 4.8 MMT (IPS), down on the 4.98 MMT forecast in Post's previous report. Extremely wet weather is expected to have reduced the CCS level and constrained production.

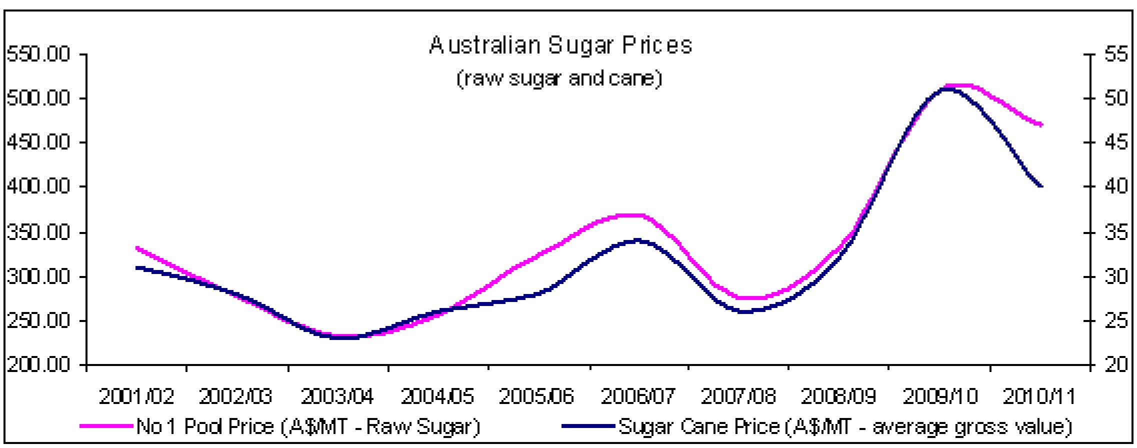
Sugar production for 2009/10 has been revised downward to 4.6 MMT (IPS), which would equate to about 4.44 MMT in typical raw form using a conversion factor of 1.037. Despite the downward revision, this estimate remains slightly above industry sources.



Source: ABARE Data September 2010

Price

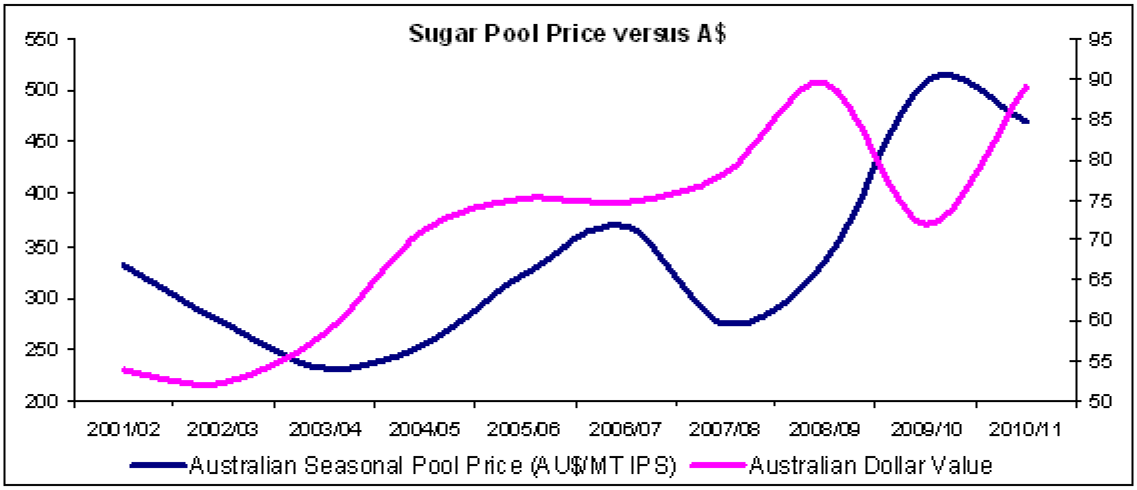
Sugar prices offered to Australian cane growers have eased somewhat in 2010/11 following historically high levels in CY 2009/10. Australian Bureau of Agricultural and Resource Economics (ABARE) has forecast prices (per MT of cane) to fall from AU$49.00 per MT in 2009/10 to AU$40.00 per MT in 2010/11. These prices have been high enough to reverse the decline in area harvested following a long period of decline.



Source: ABARE Data September 2010

Australian agricultural commodity markets are generally highly reliant on export markets and the relative value of the Australian dollar due to a small domestic market. The 2009/10 season saw a sharp devaluation of the Australian dollar (following the global financial crisis) and a subsequent increase in the pool price. The 2010/11 season however, has seen an increase in the value of the Australian dollar and a subsequent fall in the pool price for sugar.

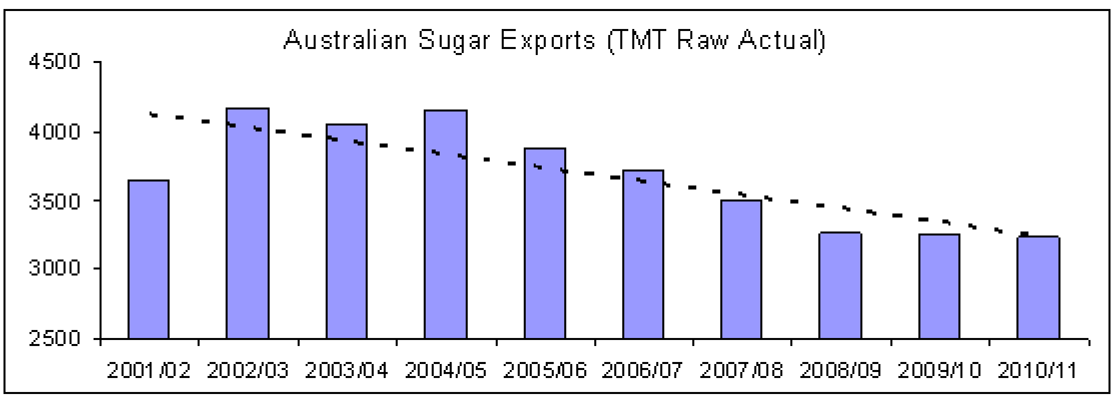
At the time of writing this report, the value of the Australian dollar has reached US$0.95, surpassing the US$0.89 full year estimated by ABARE. Continued growth in the value of the Australian dollar will likely continue to place downward pressure on prices received by Australian cane growers in 2011/12.



Source: ABARE Data September 2010

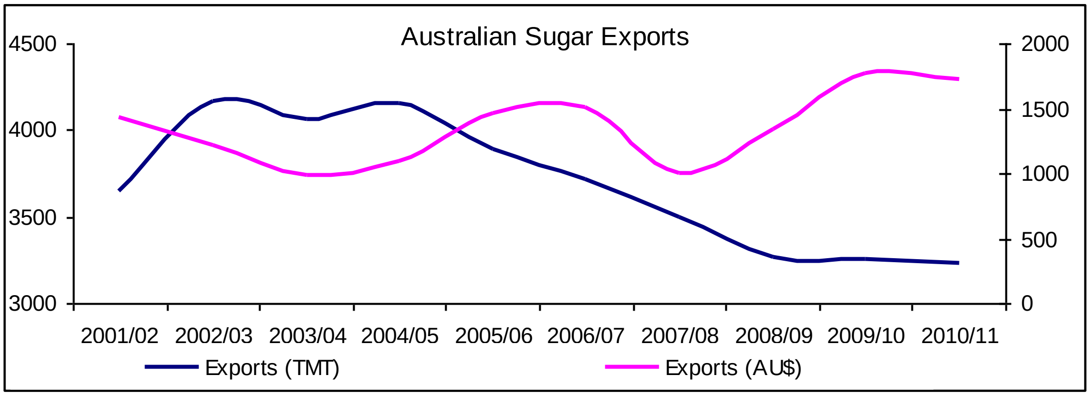
Exports

Total exports of sugar for 2010/11 are forecast at 3.550 MMT (IPS), up slightly on 2009/10. Increased production in 2010/11 is expected to see the exportable surplus of sugar increase. Ending stocks for 2010/11 are also expected to increase slightly.



Source: ABARE Data September 2010

Estimated exports for 2009/10 have been revised downwards to 3.5 MMT, due to lower-than-previously anticipated production levels. Exports for 2008/09 remain unchanged at 3.522 MMT.



Source: ABARE Data September 2010

Australia's minimum entitlement under the US quota allocation system is 87,000 MT. However, other exporting countries inability to fill their quota saw Australia reallocated an extra 55,000 MT bringing Australia's total exports to the US to 142,000 MT for 2009/10.

Imports

An increase in sugar imports has recently been detected, albeit from low levels, therefore, the S&D table has been adjusted to reflect official trade numbers. Investigations conducted by Post have not revealed the reasons for this increase but will continue to monitor the situation and report as information comes to hand.

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at: http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp.

Title of Report	Date
Livestock and Products Annual	09/01/10
Stone Fruit Annual 2010	08/20/10
Grain & Feed Update – August 2010	07/30/10
Ag DownUnder Issue 5, 2010	07/22/10
Food & Agriculture Import Regulations & Standards Report	07/21/10
Agricultural Biotechnology Annual	07/14/10
Biofuels Annual 2010	07/06/10
Ag DownUnder Issue 4 2010	06/25/10
Increased Access for Australian Fresh Fruit to China & Japan	06/23/10
Ag DownUnder Issue 3 2010	06/11/10
Canola Production Forecast to Jump in 2010-11	06/03/10
Ag DownUnder – Issue 2	05/28/10
Soybean Meal Imports Down – U.S. Share Up	05/21/10
Australia 2010 Vintage Wine Harvest Update	05/20/10
Australian Pulse Crop to Increase in 2010/11	05/17/10

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal										
	2008/2009			2009/2010			2010/2011			
	2008	Revised		2009	Estimate		2010	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2008	07/2008		07/2009	07/2009		07/2010	07/2010	MM/YYYY
Beginning Stocks	400	400	400	451	451	487			404	(1000 MT)
Beet Sugar Production	0	0		0	0	0			0	(1000 MT)
Cane Sugar Production	4,814	4,814	4,814	4,900	4,900	4,600			4,800	(1000 MT)
Total Sugar Production	4,814	4,814	4,814	4,900	4,900	4,600			4,800	(1000 MT)
Raw Imports	4	4	8	4	4	11			16	(1000 MT)
Refined Imp.(Raw Val)	5	5	37	5	5	66			64	(1000 MT)
Total Imports	9	9	45	9	9	67			80	(1000 MT)
Total Supply	5,223	5,223	5,259	5,360	5,360	5,154			5,284	(1000 MT)
Raw Exports	3,322	3,322	3,322	3,500	3,500	3,300			3,350	(1000 MT)
Refined Exp.(Raw Val)	200	200	200	200	200	200			200	(1000 MT)
Total Exports	3,522	3,522	3,522	3,700	3,700	3,500			3,550	(1000 MT)
Human Dom. Consumption	1,250	1,250	1,250	1,250	1,250	1,250			1,250	(1000 MT)
Other Disappearance	0	0	0	0	0	0			0	(1000 MT)
Total Use	1,250	1,250	1,250	1,250	1,250	1,250			1,250	(1000 MT)
Ending Stocks	451	451	487	410	410	404			484	(1000 MT)
Total Distribution	5,223	5,223	5,259	5,360	5,360	5,154			5,284	(1000 MT)

Sugar Cane for Centrifugal										
	2008/2009			2009/2010			2010/2011			
	2009	Revised		2010	Estimate		2011	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		09/2008	09/2008		09/2009	09/2009		09/2010	09/2010	MM/YYYY

Area Planted	0	0	0	0	0	0	0	0	0	(1000 HA)
Area Harvested	391	391	391	365	365	365	391	391	390	(1000 HA)
Production	31,500	31,500	31,500	30,000	30,000	30,000	33,500	33,500	32,000	(1000 MT)
Total Supply	31,500	31,500	31,500	30,000	30,000	30,000	33,500	33,500	32,000	(1000 MT)
Utilization for Sugar	31,500	31,500	31,500	30,000	30,000	30,000	33,500	33,500	32,000	(1000 MT)
Utilization for Alcohol	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Utilization	31,500	31,500	31,500	30,000	30,000	30,000	33,500	33,500	32,000	(1000 MT)